

REGULAR BOARD OF TRUSTEES MEETING MINUTES

TUESDAY, AUGUST 30, 2005

Don Bennett called the meeting to order at 10:00 a.m. Other Board members present included Karen Davis, Cari Whicker, Tim Walsh and Tony Armstrong designee for Chuck Schalliol.

TRF staff present included Robert Newland, Lynette Farrell, Phil Barnes, Tom Davidson, Tom Abbett, Amy Maynard Steffanie Rhinesmith and Shelley Horner. Also in attendance were Mary Beth Braitman of Ice Miller and Steve Moberly of IRTA, Ken Brunke of Callan Associates and Ken Jarvis and Brian Murphy of Portfolio Advisors.

The Agenda was approved as presented.

Tony Armstrong moved to approve the agenda. Karen Davis seconded the motion. The motion carried.

The minutes of the August 2, 2005 meeting were approved as printed

Tim Walsh moved to approve the Minutes. Cari Whicker seconded the motion. The motion carried.

Shelley Horner presented retiree payments for the month of September 2005.

Tony Armstrong moved to accept the payments. Tim Walsh seconded the motion. The motion carried.

Tom Abbett presented the expenditures for the month of July 2005 as well as the actual expenses compared to the 05-06 budget.

The board suggested we look into increasing coverage with Miles & Finch for our bonding.

Bob Newland discussed investment manager returns for the month ending July 30, 2005.

Bob Newland presented the operations/investment report for the month. There is a projected shortfall in the pre-96 pension account due to the high number of retirements. We are just finishing with our peak summer months and should be seeing lower numbers during the school year. TRF may need to dip into the PSF next May/June to help pay retirees pensions. Staff will keep the board posted on the progress of this shortfall.

Bob Newland asked Gayle Byers of RE Sutton to speak to the board regarding the changes taking effect due to Medicare Part D. TRF does not pay the cost of health insurance for retirees; however the board approves the annual contract with Anthem on their behalf.

Lynette Farrell spoke of changes to our workshops. We are restructuring the pre-retirement workshops to target all geographical areas. The employer workshop will be held annually for business managers around the state.

Bob Newland updated the board on requested Gabriel, Roeder, Smith & Company. GRS has been our actuary since 1957; our most recent contract was signed in September 2004 for a three year term. The Segal Group performed an actuarial audit on GRS in the fall of 2003.

Bob Newland gave an analysis of our current real estate allocation. He recommends changing from a separate account to co-mingled funds with RREEF and amending the original contract to state co-mingled funds.

Don Bennett moved to accept staff recommendation to enter into co-mingled funds with RREEF. Tim Walsh seconded the motion. The motion carried.

Bob Newland distributed an asset allocation survey of various colleges and other public pension funds.

Brian Murphy and Ken Jarvis presented an overview of Portfolio Advisors. The strategy is to achieve top market returns and manage risk. Callan recommendations are on target: Currently \$201.7 million has been committed and we have \$38.3 million to commit this year to stay on target.

Break – resumed at 11:40 a.m.

Ken Brunke presented Callan Associates' investment measurement service for the quarter ending June 30, 2005. After reviewing the results of the various capital markets for the quarter, Ken discussed TRF's asset allocation and investment performance. He also reviewed Callan's method for analyzing investment manager performance and he explained how to use the various charts and graphs presented for each of TRF's managers. During the presentation, the investment staff recommended Aeltus and ICAP managers remain on the watch list. The staff also recommended Ariel and Pacific Financial Research be added to the list. Ken agreed with these recommendations. Mr. Brunke ended his presentation by noting the disclosure section at the end of the report. This section delineates the investment managers in Callan's database and their relationship with Callan.

Bob Newland discussed GTAA and SMID investment manager searches. Staff recommends hiring Bridgewater Associates, Wells Capital Management and GMO (Grantham, Mayo, Van Otterloo & Co)

Tony Armstrong move to approve staff recommendations to hire Bridgewater Associates and Wells Capital Management. Tim Walsh seconded the motion. The motion carried.

The next meeting was scheduled for September 27, 2005 at 10:00 a.m.

The October meeting was tentatively scheduled for October 25, 2005.

Tim Walsh approved to adjourn this meeting. Don Bennett seconded the motion. The motion carried.

Being no additional business, the meeting adjourned at 12:35 a.m.